

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

TELCORDIA TECHNOLOGIES, INC.,

Plaintiff,

v.

CISCO SYSTEMS, INC.

Defendant.

1. What is the purpose of the study?
 2. What are the research questions or hypotheses?
 3. What is the study design?
 4. What are the participants and sample size?
 5. What are the variables and measurements?
 6. What are the results and conclusions?
 7. What are the limitations and strengths?
 8. What are the implications for practice?
 9. What are the ethical considerations?
 10. What are the future research directions?

Civil Action No. 04-876-GMS

REPLY DECLARATION OF JAMES J. NAWROCKI

I, James J. Nawrocki, declare under penalty of perjury the following:

1. I have been retained as an expert on behalf of the Plaintiff, Telcordia Technologies, Inc. ("Telcordia"). I am a certified public accountant at the firm IP & Financial Consulting LLP ("IPF"). IPF is a financial consulting firm that provides corporate, individual and law firm clients with financial assessments of intellectual property and other corporate assets. My credentials and experience are described in detail in my June 28, 2006, report submitted in this matter regarding damages claimed by Telcordia.
2. I understand that Cisco submitted a brief on July 23, 2007, contending that the damages of \$6.5 million awarded by the jury verdict on May 10, 2007, was based on a \$5.0 million up-front lump-sum payment and included prejudgment interest. I submit

this Reply Declaration to respond to those contentions. Although Telcordia disagrees with Cisco's position that the jury verdict is based on an up-front lump-sum payment that includes prejudgment interest, I have been asked by Telcordia's counsel to calculate prejudgment interest assuming up-front lump-sum damages of \$5.0 million and, alternatively, up-front lump-sum damages of \$6.5 million compounded annually based on: (1) the "2001 Risk Free Rate" of 5.8% used by Cisco's damages expert; and, (2) the historical annual Prime Rate, respectively.

3. Based on the assumed up-front lump sum amount of \$5.0 million, I have calculated prejudgment interest, based upon the assumed "2001 Risk Free Rate" of 5.8%, from September 7, 2001, through May 16, 2007, (the date when the Court entered judgment) to be approximately \$1.9 million, resulting in total damages with interest of approximately \$6.9 million (see Schedule 1). Shown below is a summary of the interest calculated under this method:

	Annual Compounding (Damages Begin 9/7/01)¹
Damages	\$5,000,000
Interest	\$1,896,302
Damages with Interest	\$6,896,302

4. Based on this analysis, I noted that the "Damages with Interest" amounts calculated above differs from the \$6.5 million damages awarded by the jury verdict. As such, it appears that the jury verdict does not include prejudgment interest and the difference

¹ See Schedule 1

between the \$5.0 million lump-sum payment that Cisco contends the jury considered in its verdict and the jury's ultimate damage award of \$6.5 million likely results from consideration of other factors (e.g., royalty base, royalty rate).

5. Further, I reviewed the expert reports and trial testimony provided by Cisco's damages expert, Terry L. Musika. Based on my review, the \$6.2 million amount Mr. Musika suggests does not account for prejudgment interest on an assumed lump-sum payment made to Telcordia in September 2001 through the date of judgment. Rather, the \$6.2 million represents the sum of the undiscounted damage amounts calculated by Mr. Musika in the years in which Mr. Musika calculates they would have been made to Telcordia. However, Mr. Musika's calculation of \$6.2 million does not calculate prejudgment interest on the damage amounts to the date of judgment in this case (May 16, 2007).

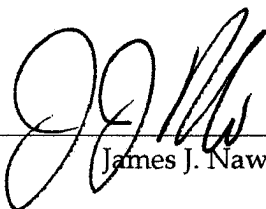
6. I have also calculated prejudgment interest based on an assumed up-front lump sum amount of \$6.5 million, using the historical annual Prime Rate, from September 7, 2001, through May 16, 2007, to total approximately \$2.4 million, resulting in total damages with interest of approximately \$8.9 million (see Schedule 2). Shown below is a summary of the interest calculated under this method:

	Annual Compounding (Damages Begin 9/7/01)²
Damages	\$6,500,000
Interest	\$2,425,864
Damages with Interest	\$8,925,864

² See Schedule 2

7. Pursuant to the provisions of 28 U.S.C. § 1746, I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed this 8th day of August 2007 in Houston, Texas.


James J. Nawrocki

Schedule 1

Telcordia Technologies, Inc. v. Cisco Systems, Inc.
Interest Calculation for Damages (\$5.0M Lump Sum in 9/01)
at 2001 Risk Free Rate (5.8%)

	2001 Risk Free Rate ¹	Damages ²	Beginning Principal	Interest ²	Ending Principal
9/7/2001	5.80%	\$5,000,000			
2001	5.80%		\$5,000,000	\$92,164	\$5,092,164
2002	5.80%		5,092,164	295,346	5,387,510
2003	5.80%		5,387,510	312,476	5,699,985
2004	5.80%		5,699,985	330,599	6,030,585
2005	5.80%		6,030,585	349,774	6,380,359
2006	5.80%		6,380,359	370,061	6,750,419
5/16/2007	5.80%		6,750,419	145,883	6,896,302
Total		\$5,000,000		\$1,896,302	\$6,896,302

Notes:

1. Source: "Assumed 2001 Risk Free Rate", Musika Expert Report Exhibit B
2. Source: Lump sum payment attributable to '763 and '633 patent, Musika Expert Report Exhibit B
3. Interest is calculated through May 16, 2007

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Schedule 2

Telcordia Technologies, Inc. v. Cisco Systems, Inc.
Interest Calculation for Damages (\$6.5M Lump Sum in 9/01)
at Annual Prime Rate

	Annual Prime Rate ¹	Damages ²	Beginning Principal	Interest ²	Ending Principal
9/7/2001		\$6,500,000			
2001	6.91%		\$6,500,000	\$142,744	\$6,642,744
2002	4.67%		6,642,744	310,216	6,952,960
2003	4.12%		6,952,960	286,462	7,239,422
2004	4.34%		7,239,422	314,191	7,553,613
2005	6.19%		7,553,613	467,569	8,021,182
2006	7.96%		8,021,182	638,486	8,659,668
5/16/2007	8.25%		8,659,668	266,196	8,925,864
Total		\$6,500,000		\$2,425,864	\$8,925,864

Notes:

1. Source: www.federalreserve.gov
2. Assumed upfront lump sum payment attributable to '763 and '633 patent
3. Interest is calculated through May 16, 2007

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